2022 BUSINESS PAYMENTS BAROMETER

FOREWORD

Welcome to this year's Business Payments Barometer, our annual report focused on the world of corporate payments. This research gauges how companies, from small businesses to enterprises, respond to a quickly evolving payments environment. We're also delighted to announce that we've extended the footprint of this research, initially limited to Great Britain, to include companies in the US for the first time.

On the back of an interesting and formidable two years, it's apparent that few companies were immune to, or have escaped, the impact of the pandemic - regardless of their size. Financial decision-makers worldwide have had to reassess how their teams process, manage and protect their corporate payments.

Ongoing digitization continues as a strong theme in this year's research. The shift to a cashless economy accelerates, and payments innovation thrusts ahead - moving deeper into business payments. Encouragingly, results show a rise in the adoption of new technologies, the acceptance of new payment terms, and new payment methods. Looking to the future, companies also appear to be open to the adoption of cryptocurrencies as governments consider introducing Central Bank Digital Currencies (CBDCs).

The report sheds light on just how crucial getting money into the business has become. That said, it's interesting that so many firms, surprisingly even the bigger ones, continue to rely on spreadsheets to help with cash and liquidity management and aren't pushing to invest in automated treasury systems. This response may explain why so many feel cash forecasting remains a challenge.

On the other end of the spectrum, small businesses have followed their larger counterparts' footsteps by adopting real-time payments. Reassuringly, this is clearly becoming the new norm, and SMBs have begun to see the benefit of this cost-effective and convenient payment method.

The adoption of international payments appears consistent, as do its challenges around tracking, transparency, and sanctions checking. Even so, exciting times are ahead for cross-border payments, given looming regulation deadlines for banks and enterprise firms. Growing interest in CBDCs, and their potential to make payments quicker, cheaper, traceable and more efficient, is another thing for us to keep our eyes on.

As you can see, the report is full of new statistics about what matters most to financial decision-makers. We hope the insight is valuable as you unearth payment needs to focus your business and consider any advice and guidance shared herein.

Enjoy the read.

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DRIVERS OF CHANGE

We have conducted an annual Payments Barometer since 2016 in Great Britain (GB), and this year expanded the survey to include businesses in the United States (US). We spoke to 800 financial decision-makers per country, across a range of business sizes and areas to understand how they expect the payments industry to evolve over the next 12 months.[1]

1 For more details of the survey methodology, please see the Technical Note at the end of this report.

COVID-19 remains the driver of change businesses in Great Britain are most likely to rank first. It also tops the list among the businesses we spoke to in the US. Although the pandemic has negatively impacted businesses, it has been a catalyst for change, driving the adoption of new and innovative technologies. Here we see that Pay As You Go (PAYG), cloud and mobile technology solutions rank higher than AI/predictive analytics and Central Bank Digital Currencies, blockchain and Distributed Ledger Technology (DLT).[2]

This is despite the intense focus on AI and crypto in the past couple of years. The ways in which AI/predictive analytics are reshaping payments processes are perhaps less obvious than they could be. A tipping point is likely to occur when the regulators catch up with the fast-moving crypto market and provide a workable regulatory framework. The UK government recently announced its intention to regulate stablecoins for payment[3] and in the US, President Biden has signed an executive order instructing regulators to accelerate legislation for the oversight of digital assets.[4]

2 Please see the Glossary for a definition of terms used in the report.

3 https://www.gov.uk/government/news/government-sets-out-plan-to-make-uk-a-global-cryptoasset-technology-hub

4 https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/09/fact-sheet-president-biden-to-sign-executive- order-on-ensuring-responsible-innovation-in-digital-assets/

Ranked Drivers of Change

GREAT BRITAIN

1. The continued impact of COVID-19
2. Easier access to PAYG technology
3. Mobile payment technologies
4. Easier access to cloud-based technology
5. Security & fraud prevention including sanctions checking
6. Regulatory or compliance changes to UK payments e.g. Open Banking
7. AI & predictive analytics
8. Changes in the trading environment e.g. geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations
9. Disintermediation and the increasing role of non-traditional players
10. Adoption of real-time payments globally
11. The adoption of Central Bank Digital Currencies, blockchain & DLT
12. Removing friction for buyers/new agile ways of sending and receiving payments

UNITED STATES

1. The continued impact of COVID-19
2. Security & fraud prevention including sanctions checking
3. Easier access to PAYG technology
4. Easier access to cloud-based technology
5. Mobile payment technologies
6. Disintermediation and the increasing role of non-traditional players
7. Payments modernization changes e.g. Open Banking, real-time payments, Fedwire funds transfer system, ISO20022, AML
8. Changes in the trading environment e.g. geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations
9. Adoption of real-time payments globally
10. AI & predictive analytics
11. The adoption of Central Bank Digital Currencies, blockchain & DLT
12. Removing friction for buyers/new agile ways of sending and receiving payments

Drivers of Change Tracked Over Time

GREAT BRITAIN

2016	2017	2018	2019	2020	2021	2022
The need for greater security	The need for greater security	Brexit	Mobile payment technologies	Mobile payment technologies	The impact of COVID-19	The continued impact of COVID-19
Innovation in payments technology	Real-time payments globally	The need for greater security	Changes in the trading environment (e.g. Brexit)	Easier access to technology e.g. PAYG	Easier access to cloud-based technology	Easier access to PAYG technology
Mobile payments	Innovation in payments technology	Innovation in payments technology	Security & payment fraud prevention, including sanctions checking	Security & payment fraud prevention, including sanctions checking	Mobile payment technologies	Mobile payment technologies
Regulation	Proposed Payment Systems Regulator changes	Real-time payments globally	Regulatory changes to UK payments	Changes in the trading environment	Security & fraud prevention including sanctions checking	Easier access to cloud-based technology
Payments infrastructure	Introduction of Open Banking and PSD2	Blockchain & cryptocurrencies	Easier access to technology	Regulatory changes to UK payments	Easier access to PAYG technology	Security & fraud prevention including sanctions checking
Consolidation	Blockchain & cryptocurrencies		AI & predictive analytics	AI & predictive analytics	Changes in the trading environment/Brexit	Regulatory or compliance changes to UK payments e.g. Open Banking
Wearables			Adoption of real-time payments globally	Adoption of real-time payments globally	Regulatory changes to UK payments e.g. Open Banking	AI & predictive analytics
Cryptocurrencies			The adoption of blockchain and Distributed Ledger Technology (DLT)	Disintermediation and the increasing role of non-traditional players	Adoption of real-time payments globally	Changes in the trading environment e.g. geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations
Blockchain			Disintermediation and the increasing role of non-traditional players	The adoption of blockchain and Distributed Ledger Technology (DLT)	AI & predictive analytics	Disintermediation and the increasing role of non-traditional players
					Disintermediation and the increasing role of non-traditional players	Adoption of real-time payments globally
					The adoption of blockchain and Distributed Ledger Technology (DLT)	The adoption of Central Bank Digital Currencies, blockchain & DLT
						Removing friction for buyers/new agile ways of sending and receiving payments

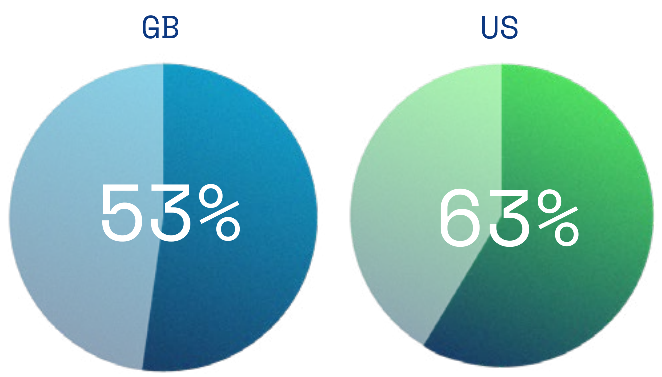
COVID-19 remains the driver of change businesses in Great Britain are **most likely to rank first.**

EVER-CHANGING PAYMENT METHODS

Increasing digitization continues to transform the payments landscape, with 53% of GB and 63% of US businesses stating they have been forced to accept payment methods they would not have traditionally accepted. This is even higher amongst large companies in GB, with 66% having to accommodate new ways to pay.[5]

We are seeing tremendous innovation as new payment methods continue to advance. Mobile payments are now part of the mainstream, certainly as a form of receiving payments within retail. 1 in 3 US businesses (33%) and just over 1 in 4 GB businesses (28%) say they have started accepting this payment type in the past 12 months. Alternative payment methods such as PayPal and AliPay are also becoming more widely adopted within the US, as 28% of businesses say they have started accepting these in the past year (rising to 34% amongst large businesses).

In GB, legacy payment methods like cash and check continue to decline, likely driven by more contactless transactions during the pandemic. More than 1 in 5 GB businesses have stopped accepting cash and checks (both 22%), representing a 4 percentage point increase for cash and a 5 percentage point increase for checks from 2021. The reduction in cash acceptance is even more pronounced in the US, where 1 in 4 (26%) businesses have stopped accepting this payment method in the past year, rising to 34% among large businesses. Encouragingly, check acceptance in the US is also on the decline and, similar to GB, 21% of businesses say they have stopped accepting this payment type.



53% of GB and 63% of US businesses state they were **forced to accept payment methods they would not have traditionally accepted.**

5 *For definitions of company size, please see the Technical Note at the end of the report.*

MANAGING CASH AND LIQUIDITY

COVID-19 compelled businesses to stress-test their resilience around cashflow and liquidity management. Businesses are now acutely aware that they need to have the flexibility and reserves to withstand geopolitical uncertainties and unexpected crises.

CASHFLOW REIGNS SUPREME

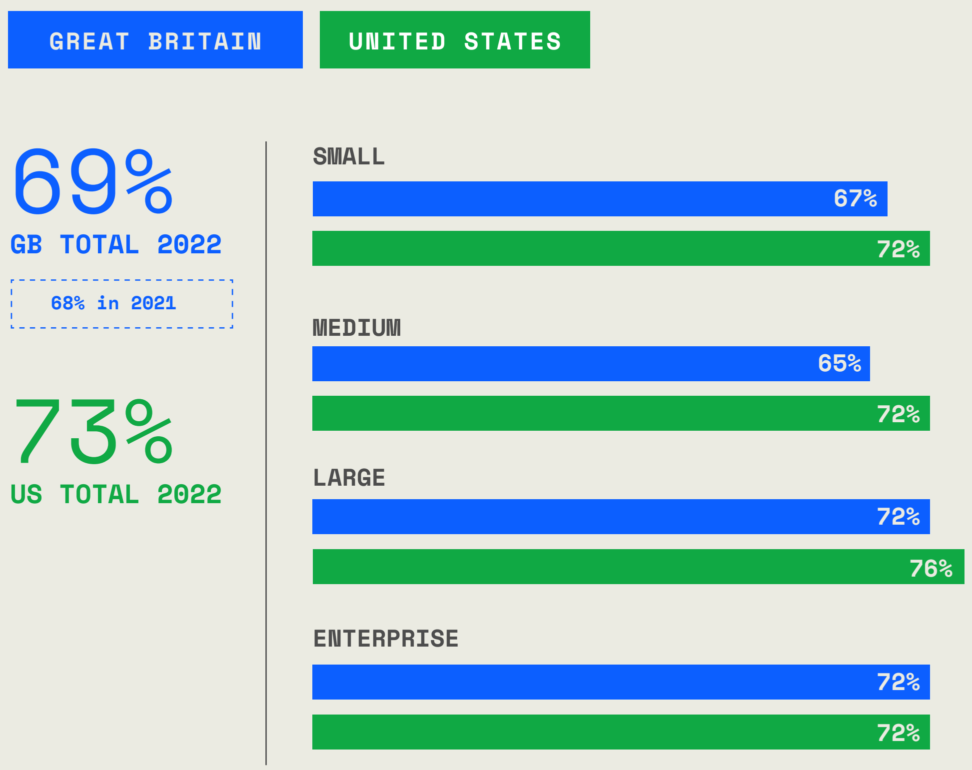
As we emerge from the pandemic, our survey suggests cashflow remains a critical focus for companies of all sizes, with 69% of businesses in GB and 73% in the US saying that receiving money has never been more important. These concerns are likely to have been exacerbated by rising inflation in both GB and the US.

Although businesses value receiving money quickly, many are making late payments themselves, with only 16% of GB and 18% of US businesses saying they have never paid a supplier late. The most common reason for doing so is to protect cashflow/ liquidity or rank the priority of payments (46% in GB and 45% in the US). This comes as no surprise given the pandemic, but, as we emerge and look to grease the wheels of trade, it's essential that this attitude shifts towards making and receiving payments on time.

That said, in some cases, it is because businesses are simply not being chased for payment. This is cited by 22% of both the GB and US businesses we spoke to making late payments. If cashflow has never been more important, why are some companies not pursuing outstanding payments? Is the failure to chase a sign of sympathy with customers during difficult times or, more likely, a reflection of poor internal processes? If internal processes are not up to the job, third-party technology can equip businesses with the tools and knowledge to effectively chase payments and deliver on the 'cash is king' expectations.

Importance of Receiving Money Quickly

To what extent do you agree or disagree with the following statements?
"Receiving money quickly has never been more important" (% agree)



CASHFLOW AND PAYMENT TERMS

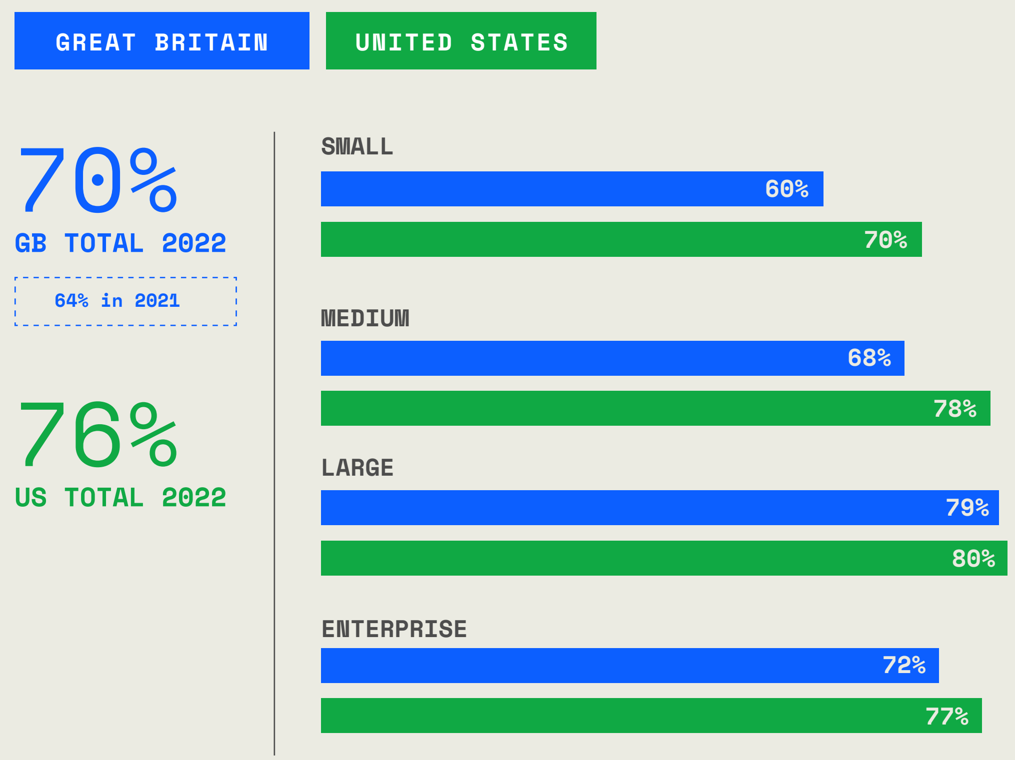
Flexible payment terms are a key mechanism to manage and make the best use of cashflow. They are widely accepted, with 70% of businesses in GB and 76% in the US being willing to re-negotiate payment terms to better manage cashflow. This figure has significantly increased in GB since 2021 (64%), illustrating the need for flexible payment terms in a climate where businesses may find themselves more 'cash strapped'.

However, this strategy is less widely used by small businesses, particularly in GB, where only three-fifths (60%) would consider changing payment terms, perhaps lacking the capacity or bargaining power of larger counterparts.

Cashflow remains a critical focus for companies of all sizes, with 69% of businesses in GB and 73% in the US saying that **receiving money has never been more important.**

Willingness to Re-negotiate Payment Terms

To what extent do you agree or disagree with the following statements?
"My business is willing to re-negotiate payment terms in order to manage cashflow better" (% agree)



FORECASTS ARE WORSENING

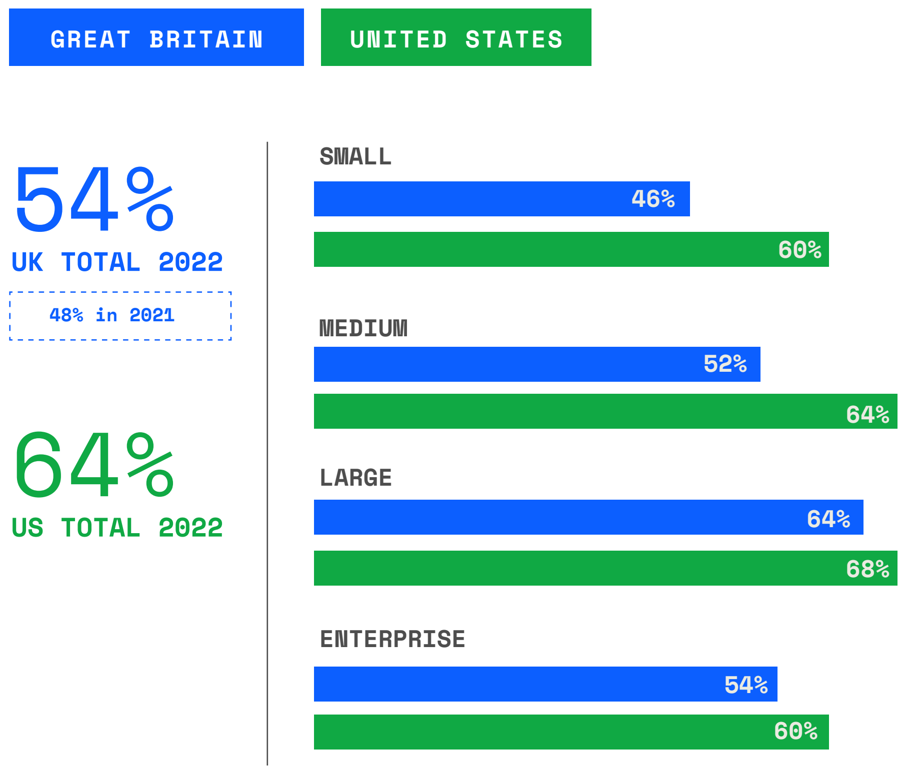
Effective cashflow management relies on clear and accurate forecasting. Yet, forecasting has worsened since 2021 in GB, with over half of businesses stating that their forecasts are rarely accurate (54% up from 48%), increasing to 64% amongst large businesses. Larger companies have access to more tools and resources, so in theory, should be better equipped to forecast cashflow. One theory behind this lack of accuracy is the use of automated systems alongside Excel spreadsheets, which introduces human error and manual inefficiencies. Another factor may be a lack of centralized data. Although companies have focused in pockets on improving efficiencies and forecasting, it is likely that data and metrics in individual areas of the business are not being amalgamated and centralized for a more holistic view.

The problem seems to be even more acute in the US, where 2 in 3 businesses participating in the survey say that forecasts are seldom accurate (64%). In a market where technology is so readily accepted, many businesses are struggling to get to grips with predicting cashflow accurately.

Accuracy of Cashflow Forecasts

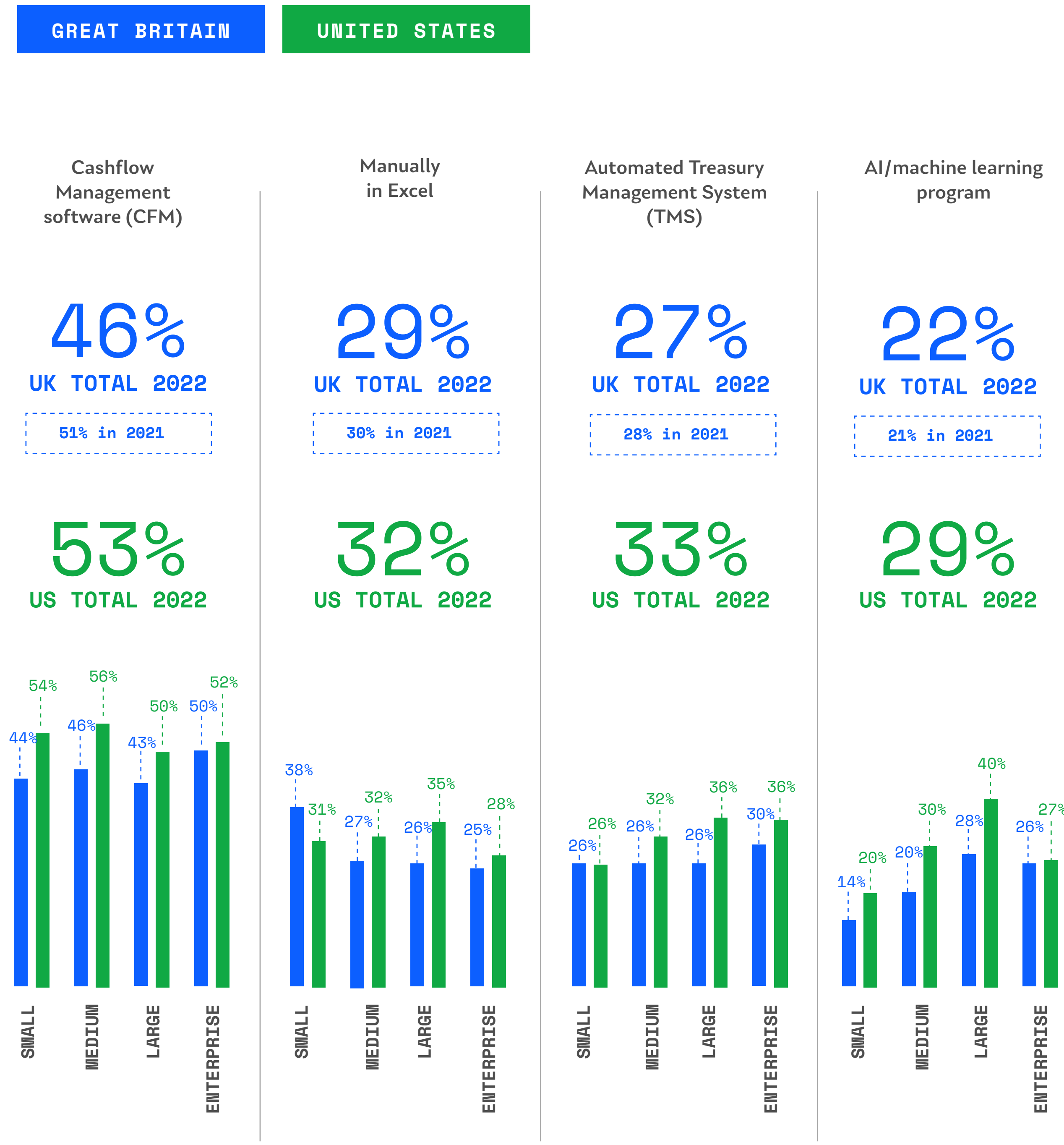
To what extent do you agree or disagree with the following statements?

"Cashflow forecasts are seldom accurate in my business" (% agree)



Cashflow Management Methods

Through what methods does your business currently handle cashflow management?



CASHFLOW MANAGEMENT METHODS

Difficulties in predicting cashflow may be partly due to the mix of management tools. Just under half of businesses in GB use off-the-shelf cashflow management (CFM) software solutions (46% in 2022, down from 51% in 2021), while 27% are using an automated Treasury Management System. Of the highest concern is that around 1 in 3 (29%) are still manually managing their numbers in Excel.

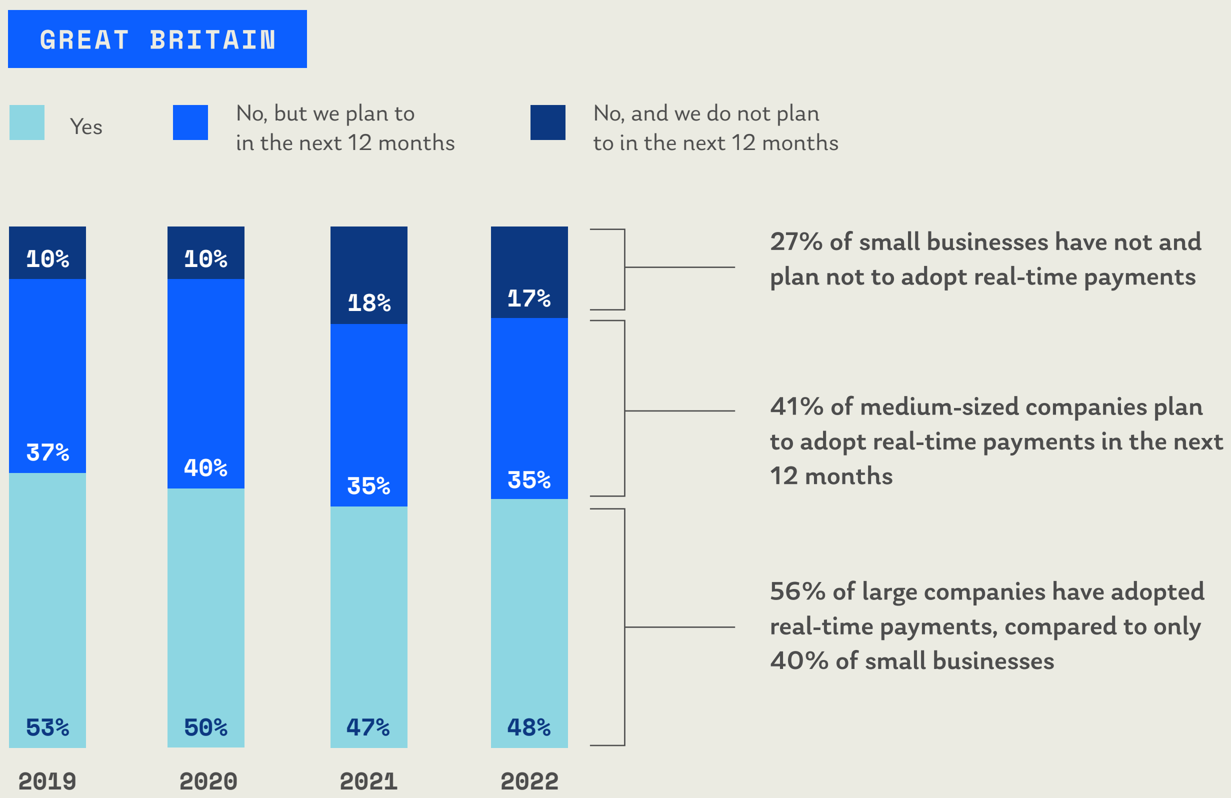
Using software to manage cashflow is more common in the US, with just over half using an off-the-shelf CFM solution (53%), while 33% have invested in automated Treasury Management Systems and 29% are using AI/machine learning programs (the figure in GB is 22%). Again, a third (32%) are still managing cashflow manually using Excel, a similar figure to GB.

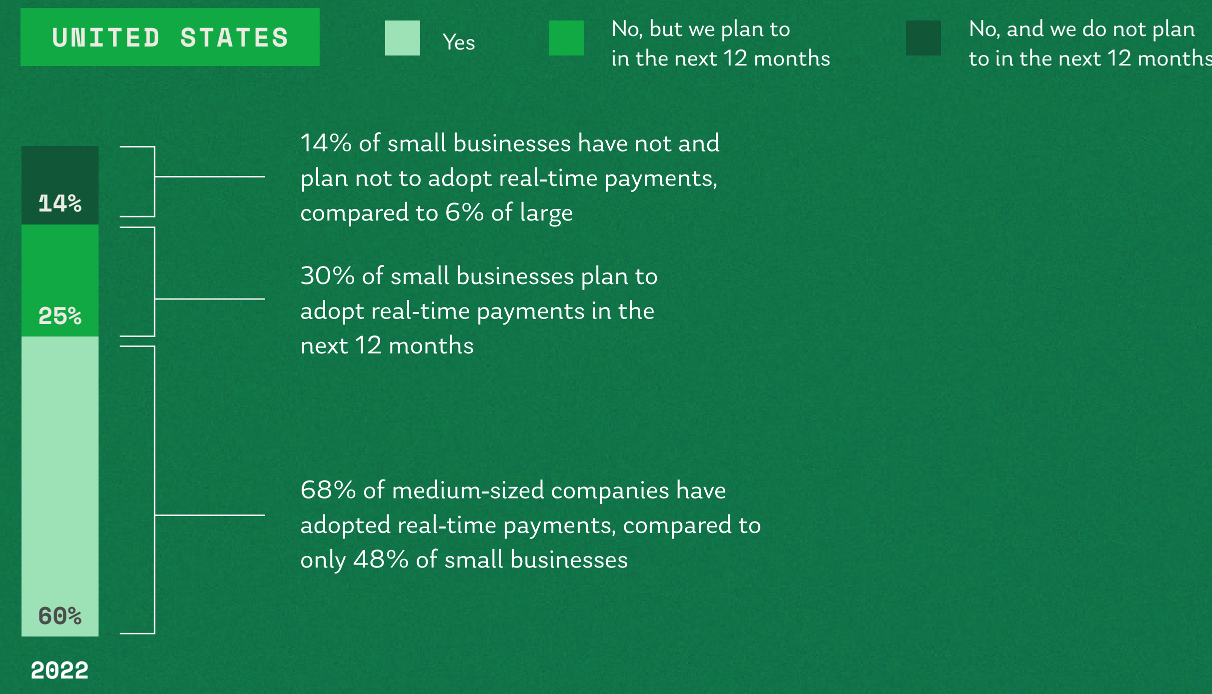
Automated Treasury Management Systems give companies real-time views of their cash positions across all accounts, banks, currencies, and countries. This is a particular benefit for large companies with complex cash flows. Concerningly in GB, large and enterprise companies are currently no more likely to use an automated TMS than their smaller counterparts. On the other hand, in the US, it is only small companies that are less likely to be using this tool.

REAL-TIME PAYMENTS IN BUSINESS

Real-time Payments Adoption

Has your business, or the company you work for, adopted real-time or Faster Payments for regularly sending business payments?





Real-time or instant payments are one potential solution for cashflow management issues. Real-time payments can support businesses' ability to hold on to cash for longer while paying suppliers and staff or reimbursing customers on time.

In GB, just under half of those interviewed (48%) say they are using real-time payments, with annual adoption remaining steady at 35%. However, the uptake of real-time payments is lower among small businesses (with 40% of small businesses currently using these) and 27% have no plans to adopt this capability in the next 12 months.

In the US, 60% of businesses claim to have adopted real-time payments, and a further 25% state they plan to in the next 12 months. This high adoption rate comes as a surprise given that this is a relatively new payment option in the US. As only 60% of demand deposit accounts (DDA) are currently reachable by a true real-time instant payment, businesses likely have in mind here solutions such as same-day Automated Clearing House payments (ACH: a computer-based electronic network for processing transactions) or wire and card payments.

Some businesses appear to still be in the dark about the potential benefits of real-time payments. For instance, just under 1 in 5 businesses in GB (17%) and the US (19%) say they don't use real-time payments due to wanting to hold onto cash for longer. In fact, being able to hold onto cash for longer is a tangible benefit of using real-time payments. Given the importance of building resilience around cashflow, some businesses could be rejecting a useful cashflow tool through a lack of understanding of real-time payments.

Real-time payment adoption **remains steady**.

Barriers to Real-time Payments

The biggest obstacle to real-time payment adoption, is the need to show the value, and to explain how immediate payments can support business needs.

The most common reasons for not using real-time payments in both GB and the US are having no need for it and being unsure of the benefits. Nevertheless, it is encouraging to see that the proportion of GB businesses citing either of these reasons fell from 61% in 2021 to 46% this year. The figure among US businesses is similar at 49%.

We hope to see more businesses embracing the benefits of real-time payments. There are many use-cases, such as just-in-time payments, direct remittances, customer pay-outs and refunds, and weekly or even daily payroll runs or expense payments. Real-time payments provide user security, simplicity, speed, and stability. Companies can also enjoy the benefits of saving on the costly interchange fees often associated with cards. Most importantly, real-time payments leave money in businesses' accounts until the last moment instead of having to release it to cater for batch processing dates. Real-time payments can help businesses better manage cash and day-to-day operations in real-time, improving liquidity.

There is therefore a powerful case to be made for real-time payments. Regulators, businesses and fintech providers all have an important role to play in explaining real-time payments to businesses who are either sceptical or unaware of the benefits.

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FRAUD & FINANCIAL CRIME

Since we started running the research in 2016, we have found that the risk of payment fraud has been a major issue for businesses. This is once again the case – indeed businesses reported even greater losses from fraud this year.

Patterns of concern about fraud differ in the US and GB. US businesses are more likely than GB businesses to be concerned about all three of the different types of fraud we asked about – insider fraud and collusion, external cyberattacks, and push payment fraud (where individuals inadvertently transfer money directly to a fraudulent bank account). There are similar levels of concern about all three among US businesses, while in GB, businesses are most likely to be worried about external cyberattacks and least likely to be concerned about insider or employee fraud.

Larger businesses tend to be significantly more concerned about the three types of fraud than small companies in GB and the US. The bigger the company, the grander the scale of operations, and the more difficult it is to oversee every corner of the business. Transactions values and volumes are greater, employee headcount is higher, there are many more suppliers to collaborate with and bank accounts to manage, and payment processes are rather complex. Therefore, it can be especially challenging to identify and 'plug gaps' where fraudulent activity could occur. This helps explain why levels of concern are higher among larger businesses.

Push payment fraud is an increasing concern within the industry. Losses due to push payment fraud are estimated at £479 million within the UK in 2020. This was split between personal (£387.8 million) and non-personal or business (£91.3 million), with an estimated increase of 22% of cases from 2019 to 2020.[6]

The picture across the pond in the US isn't much different, with the FBI reporting that push payment fraud through business email compromise (BEC) or email account compromise (EAC) fraud is responsible for over $1.8bn in fraud losses in the USA.[7]

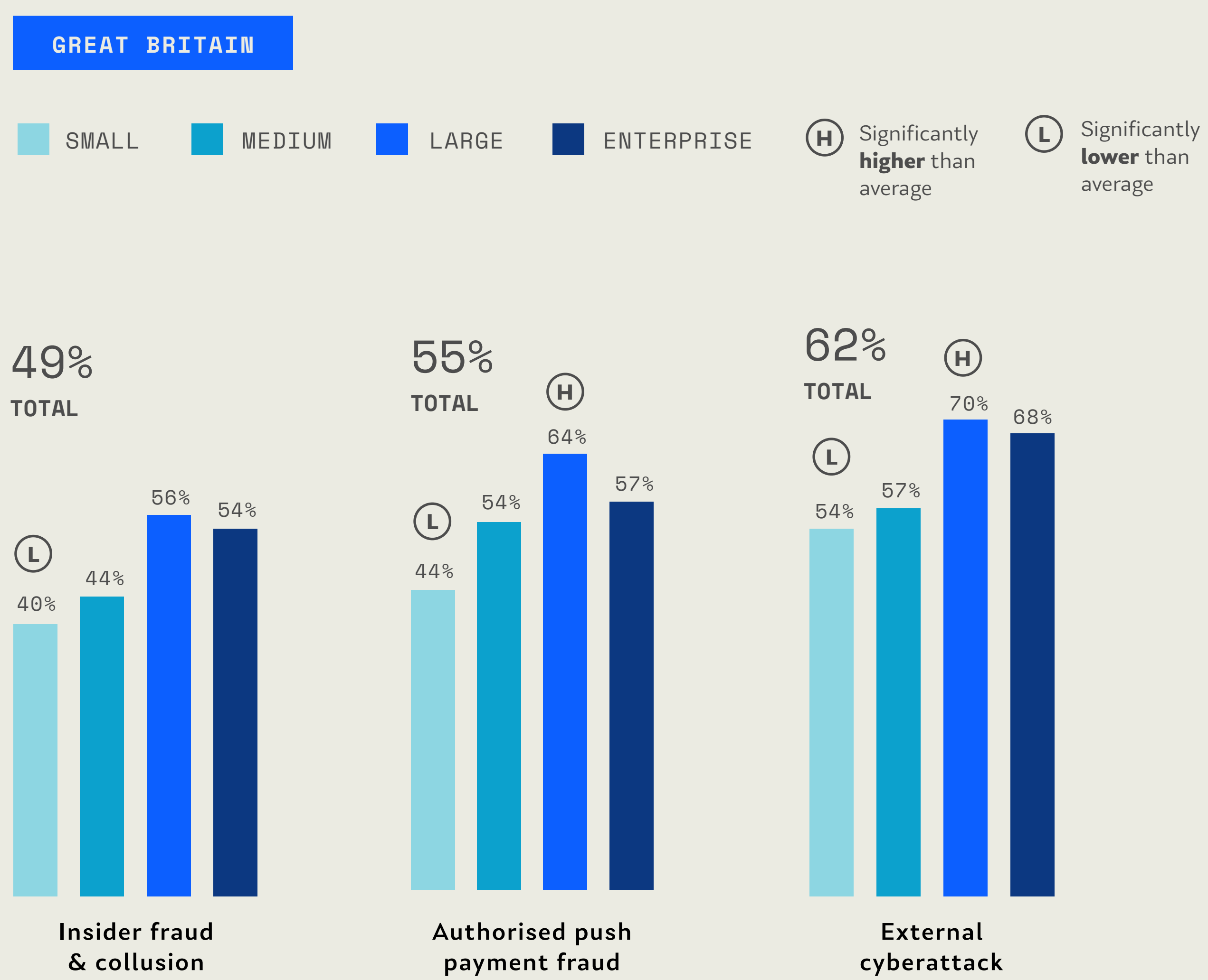
Push payment fraud is an **increasing concern** within the industry. Losses due to push payment fraud were estimated at **£479 million** within the UK in 2020.

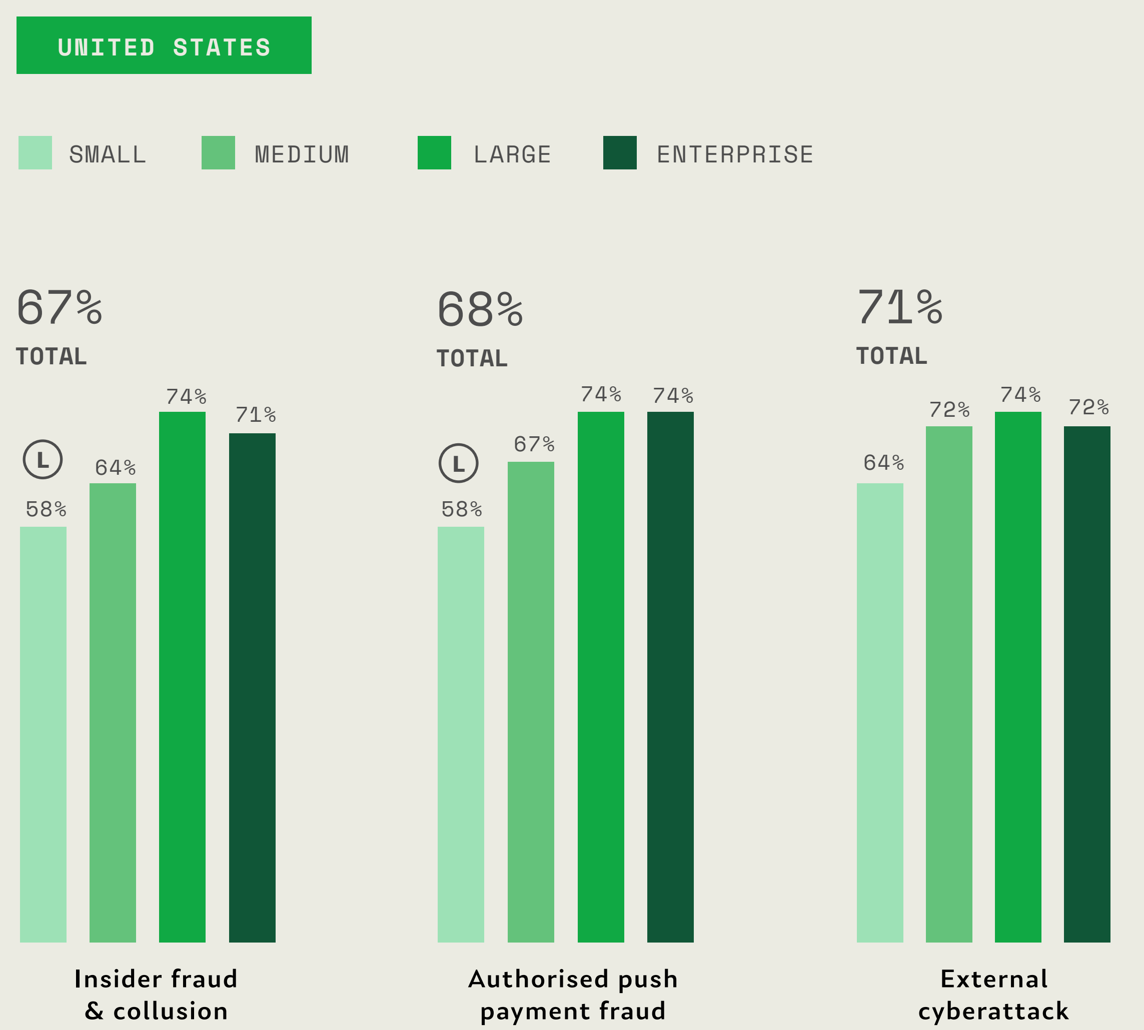
6 www.ukfinance.org.uk/system/files/Fraud%20The%20Facts%202021-%20FINAL.pdf

7 www.ic3.gov/Media/PDF/AnnualReport/2020_IC3Report.pdf

Concerns With Different Types Of Fraud

To what extent is your company, or the company you work for, concerned about the following? (% concerned)





SPOTLIGHT ON SANCTIONS CHECKING

This research took place before the Russian invasion of Ukraine and the imposition of wide-ranging sanctions which have prevented Russia from accessing more conventional payments systems, including the major card processors and the SWIFT financial messaging network.

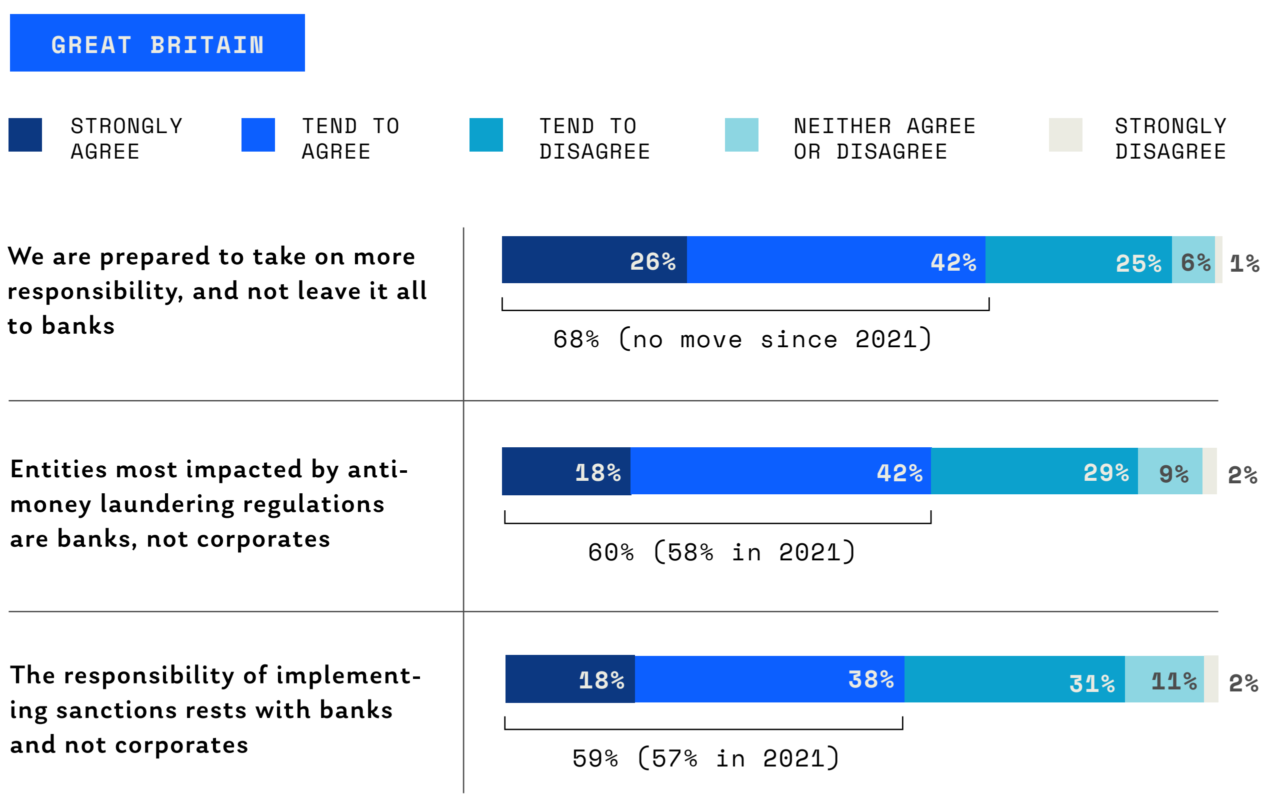
But our findings show that even before the shocking news of the war, there was a widespread appetite among both GB and US businesses to take on more responsibility from banks for sanctions checking. We found that 68% of GB businesses and 75%, an even higher proportion of US businesses, were willing to do so. This is an encouraging finding; the more companies can manage fraud and anti-money laundering (AML) efforts upfront, the better. However, it is worth noting that small businesses in both GB and the US are less likely to agree, suggesting that they may need more support in sanction checking.

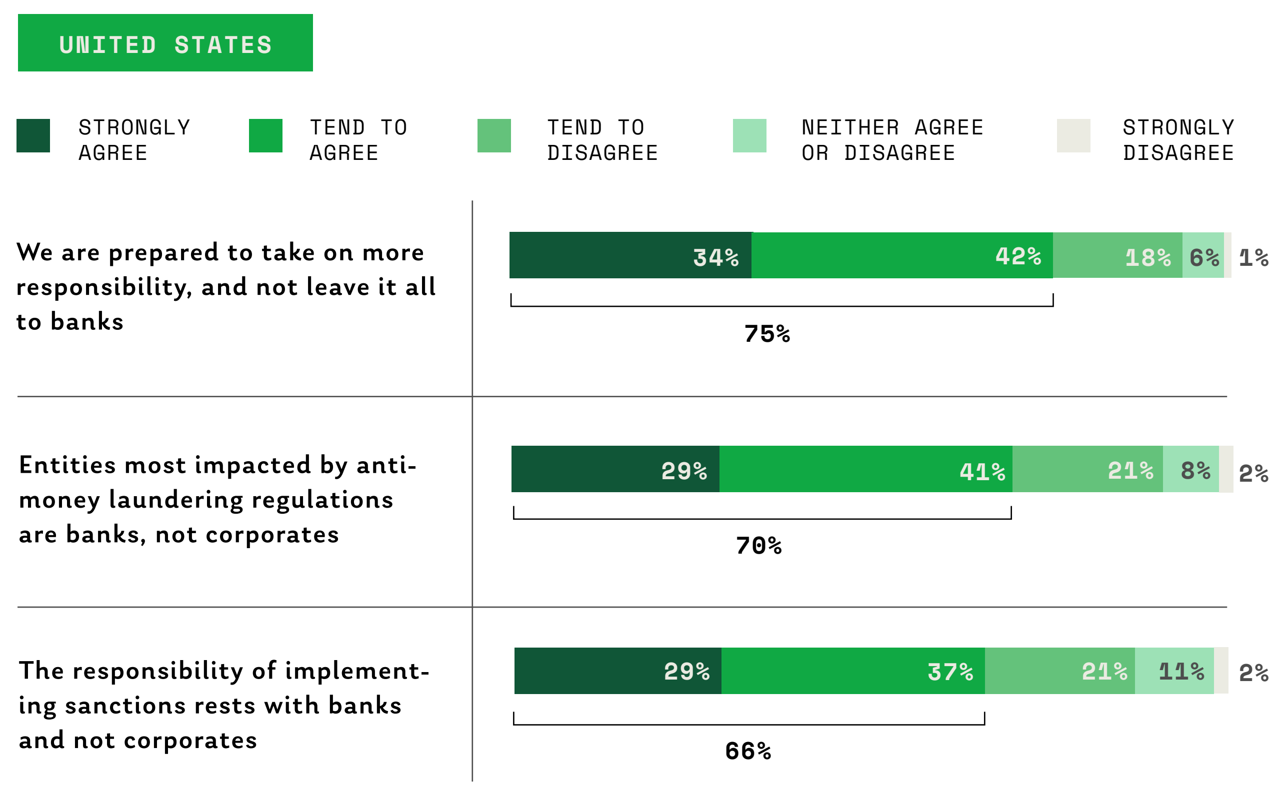
One important tool which will assist with sanctions checking is the introduction of the ISO 20022 file format for payment messages. Adoption of this is likely to be widespread. In GB, 3 in 4 (75%) businesses we spoke to say their business has a plan for the transition of ISO 20022 over the next 3 years, and the figure is higher still among US businesses at 84%.

ISO 20022 will ensure that richer data, such as counterparty and remittance information, will improve cross-checking, increase transparency, and reduce false positives. The more comprehensive the transaction history and destination, the easier it will be to validate sanctions alerts and matches. Increased company accountability and help from the banking sector could be a fruitful compromise and the way forward to strengthen our collective ability to combat and prevent financial crime and the resulting losses.

One important tool which will assist with sanctions checking is the **introduction of the ISO 20022 file format** for payment messages.

Attitudes to Sanction Checking Responsibility





BUSINESSES ARE LOSING MORE MONEY TO FRAUD

In the past 12 months dominated by COVID-19, a significant proportion of businesses have experienced payment fraud losses.

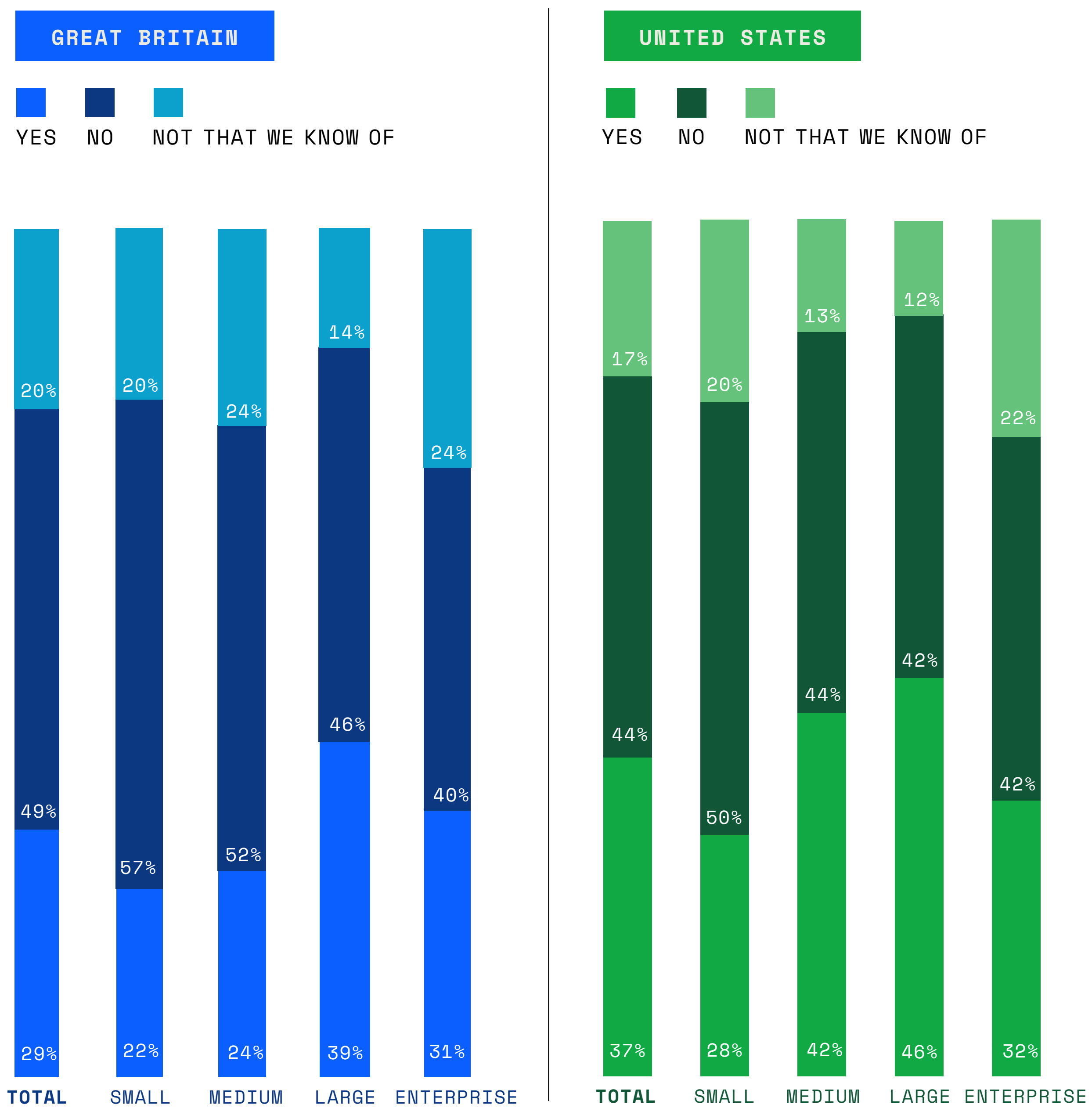
This year 29% of the businesses in GB we spoke to are telling us they are victims of fraud. In the US, the figure is higher, at 37%. Payment fraud remains a significant concern for companies of all sizes, but large companies are more likely than average to have been impacted, and small companies believe they are less likely to have fallen prey to fraudsters.

Concerningly, around 1 in 5 of the businesses we spoke to (20% in GB, 17% in the US) are unsure whether their company has been a victim of fraud, which for GB is in line with last year.

Across the board, the losses incurred from payment fraud are higher this year. Compared to 2021, estimated losses due to fraud have increased in GB by 10%. Small and medium-sized businesses have been hit hardest, with a 114% increase for small firms and a 63% rise for medium firms. It may be the case that smaller businesses have been less able to cope with the stress testing that COVID-19 has instigated.

Although we'd expect larger firms to have the human capital, processes and technology needed to manage fraud more efficiently across various departments in their business, when fraud hits companies of this size, it hits that much harder. The value of losses is greatest among enterprise-sized businesses, reporting just over £430k in GB and just over $410k in the US.

Businesses Impacted By Fraud



Estimated Losses Due To Fraud

GREAT BRITAIN

	2019	2020	2021	2022	Difference (21-22)	% Change (21-22)
TOTAL	240,092	231,445	236,326	260,482	+24,156	+10%
SMALL	87,950	99,830	77,026	164,881	+87,855	+114%
MEDIUM	119,034	164,000	99,321	161,531	+62,210	+63%
LARGE	197,659	263,699	187,703	242,564	+54,861	+29%
ENTERPRISE	349,077	336,408	402,856	434,407	+31,551	+8%

UNITED STATES

	Losses	Recovery
TOTAL	$312,421	32%
SMALL	$121,815	25%
MEDIUM	$323,759	31%
LARGE	$342,494	35%
ENTERPRISE	$416,719	34%

This year **29%** of GB businesses and **37%** of US businesses **fell victim to fraud** over the last year.

WORKING AT HOME SEEN TO HAVE INCREASED FRAUD

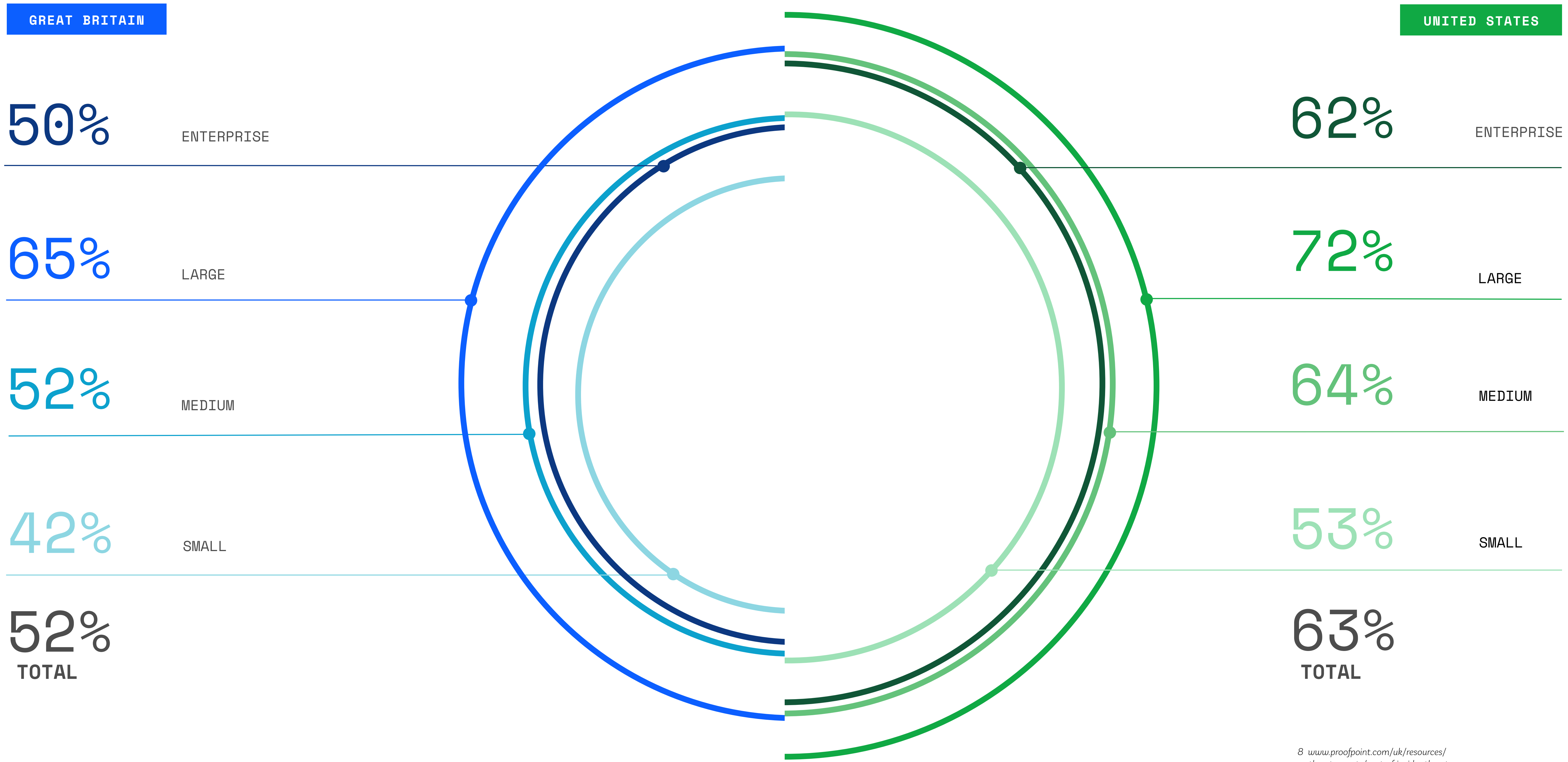
COVID-19 has changed the way we work but this has its downsides. Half of the businesses we spoke to in GB (52%) and almost 2 in 3 in the US (63%) think there has been an increase in insider fraud and collusion with more employees working from home.

It may well be the case that levels of insider fraud are worse than initially predicted or, more worryingly, known. It has been estimated that it takes 85 days on average to investigate claims and find solutions for insider threats.[8]

Although the pandemic is receding, flexible working is here to stay. All companies, regardless of size, must implement watertight safeguards to protect themselves from payment frauds committed by the people they would like to trust most - their employees.

Increased Fraud Risk Due to Working From Home Measures

With more employees working from home, there has been an increase in insider fraud and collusion (% agree)



8 www.proofpoint.com/uk/resources/threat-reports/cost-of-insider-threats

RECOVERING FRAUD LOSSES

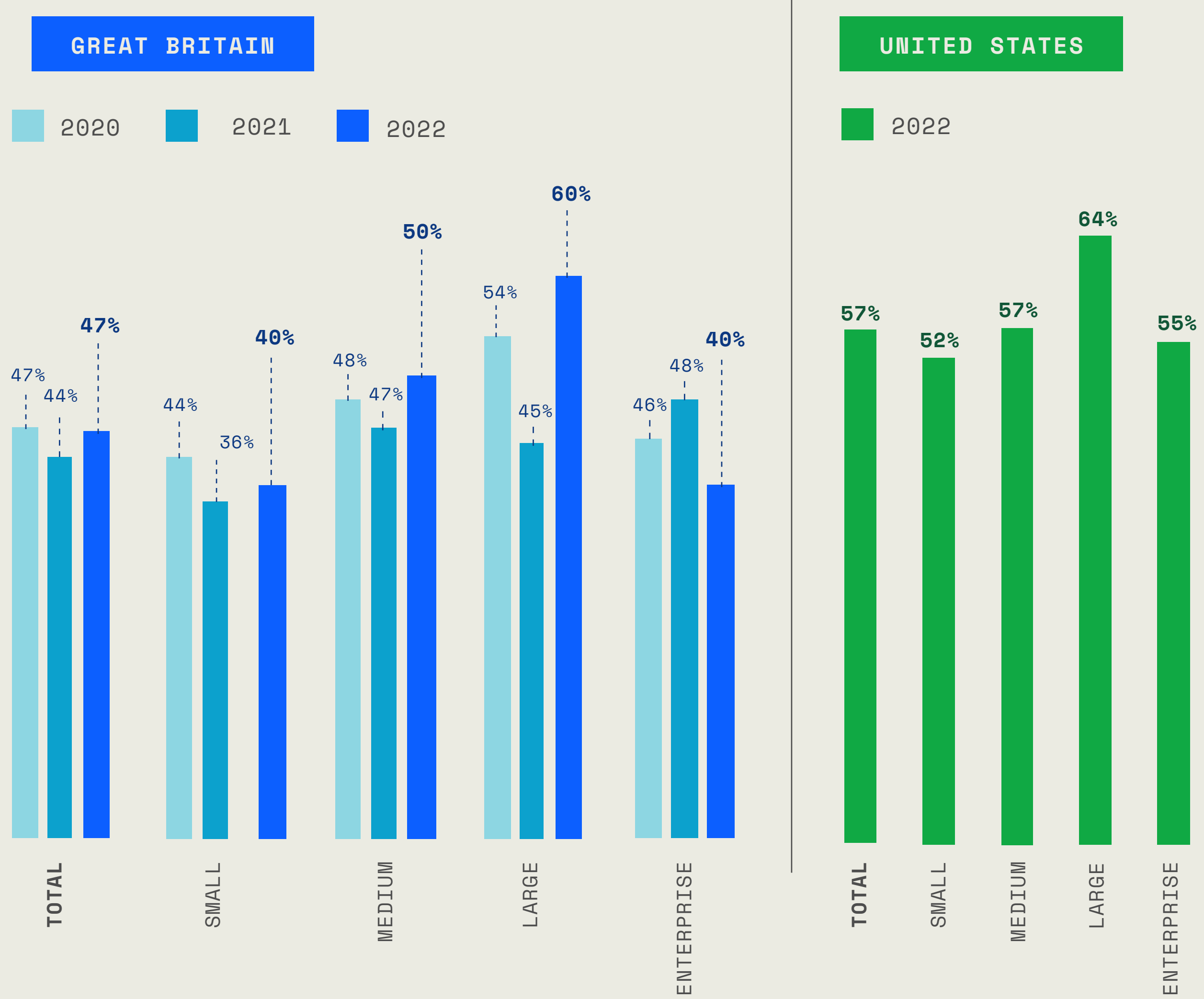
The rise in financial fraud losses raises the question of what more businesses can and should do to staunch the loss of funds. Our research shows that most losses are not recouped. In both regions, businesses say that only 32% of their losses are recovered.

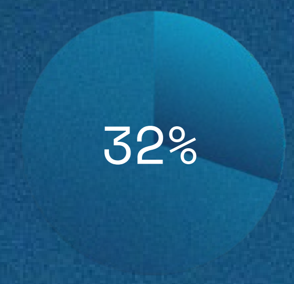
There is widespread pessimism among the businesses we spoke to about recovering losses. Almost half of GB businesses say there is little they can do to recover losses from payment fraud, similar to what we have seen since 2020. This sentiment is even more common in the US, with 57% believing this to be the case.

These doubts are particularly prevalent among large businesses, with 60% of large GB and 64% of large US firms stating there's little they can do to recover losses. Among large GB businesses, this figure has increased by 15 percentage points since last year.

Attitudes Towards Fraud

There is little my business can do to recover the losses incurred due to payment fraud (% agree)





On average companies **only recover 32% of losses** experienced through fraud.

Likewise, in the US, bank account validation (59%) and multi-factor authentication (49%) are the top protection measures selected that are being used by the businesses we researched. Use of automated tools for protecting payments is generally higher than in GB.

Although businesses think they should be doing more to tackle fraud, there is a degree of resignation about fraud losses. More than half (54%) of GB businesses think that financial loss due to payment fraud is 'part and parcel' of doing business, and the figure is even higher in the US at 66%. On a more positive note, fewer enterprise-sized GB businesses are 'accepting' of fraud losses this year (52% in 2022 vs 63% in 2021).

Fraud prevention technology for monitoring transactions and user activity is widely available and becoming ever more sophisticated. It is therefore worth questioning why so many companies are resigned to accepting losses and pessimism is so rife (and increasing in GB)? This may be down to a lack of awareness of fraud prevention tools (or insufficient budget for them), or just not using them effectively. As well as having the right technology in place, companies need to review and plug potential gaps in payment processes. Staff have a vital role to play too and need to be equipped with the resources and education to be aware of and help counter potential fraud.

We certainly shouldn't see losses incurred from fraud as 'part and parcel' of running a business. Rather than accepting losses, businesses really need to do more to stop fraud at origin or in flight.

But this is not just down to businesses. Everyone has a part to play in tackling fraud. Regulators, banks, corporates, and consumers all need to do what it takes to detect and prevent payment fraud.

A good example of this is Confirmation of Payee (CoP). To help prevent fraudulent payments to non-legitimate bank accounts, CoP was introduced in GB and is likely to be adopted, in some form or another, in other markets across the world.

At the time of writing, the major banks in Great Britain had signed up to CoP, covering 90-95% of bank accounts in the region. But unfortunately, a recent YouGov study by Lloyds Banking Group revealed that millions of bank account holders are ignoring crucial warnings and alerts provided by the CoP service.[9] This illustrates the importance of consumer awareness and conduct in helping to prevent fraud.

In markets where CoP is not currently offered, both regulators and businesses should place pressure on banks to provide this protection. CoP, and similar fraud-prevention measures, safeguard payments from criminal intervention and should become ubiquitous to protect everyone.

Quite simply, we need to avoid complacency and passivity. Halting losses is not a one-off event. It's not enough to rest on our laurels and only act once we see fraud losses increasing. It must be a consistent, ongoing effort. Fraudsters will never relent in their criminal attacks, and neither should we in our fight against them.

Looking to the future, we would hope that businesses can become more confident about recovering losses – and, most importantly, preventing fraud in the first place.

For those wanting to learn more, The Payments Podcast offers insight and expert advice and guidance on these topics: *https://soundcloud.com/thepaymentspodcast*

9 *www.lloydsbankinggroup.com/assets/pdfs/media/press-releases/2022-press-releases/lloyds-bank/millions-of-brits-at-greater-risk-of-fraud-after-ignoring-bank-payment-warnings.pdf*

Looking to the future, we would hope that businesses can become more confident about recovering losses – and, most importantly, **preventing fraud in the first place.**

WHAT'S NEXT FOR INTERNATIONAL PAYMENTS

In last year's Payments Barometer, we predicted a potential tipping point within GB, with factors such as Brexit and COVID-19 leading to a decline in the proportion of businesses making international payments. Based on the businesses that said they were likely to stop or not start making international payments, we'd predicted a decline to 61%. In reality, this year's study finds that international payments are going strong. Looking ahead, the proportion of businesses saying they intend to stop international payments has, however, increased from 20% to 25%.

If GB businesses follow through on their intentions, we project that international payments will fall to 58%. Given the amount of uncertainty and complexity at play in the business world, as well as innovations in the international payment space, this is a very big 'if'. We may well find in next year's report that levels remain the same, or even increase.

Among the US businesses we spoke to, fewer intend to stop making international payments compared to GB (16% vs 25%), and we project that 68% will be making international payments if they follow through on their intentions.

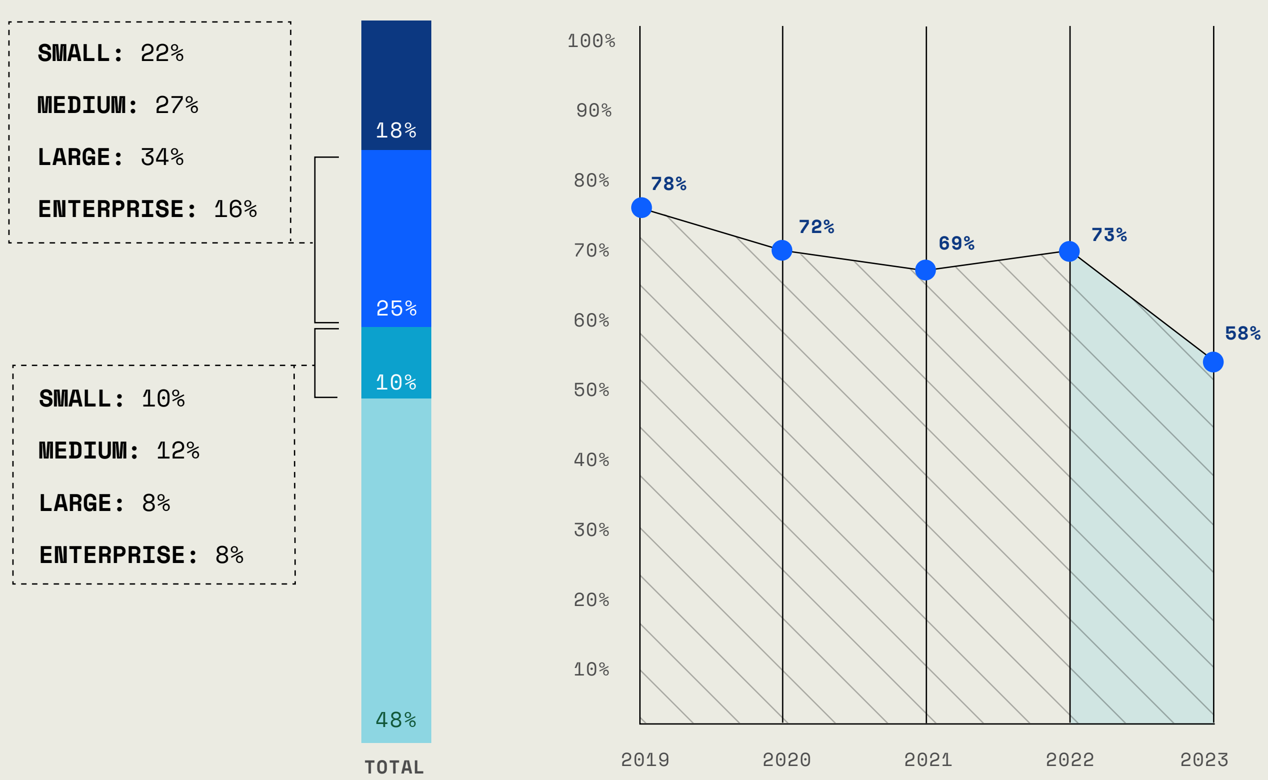
In both markets, large businesses are more likely to state they are currently making international payments but may intend to stop, with 34% of large GB businesses and 22% of large US businesses stating this.

> This year's study finds that international payments are **going strong.**

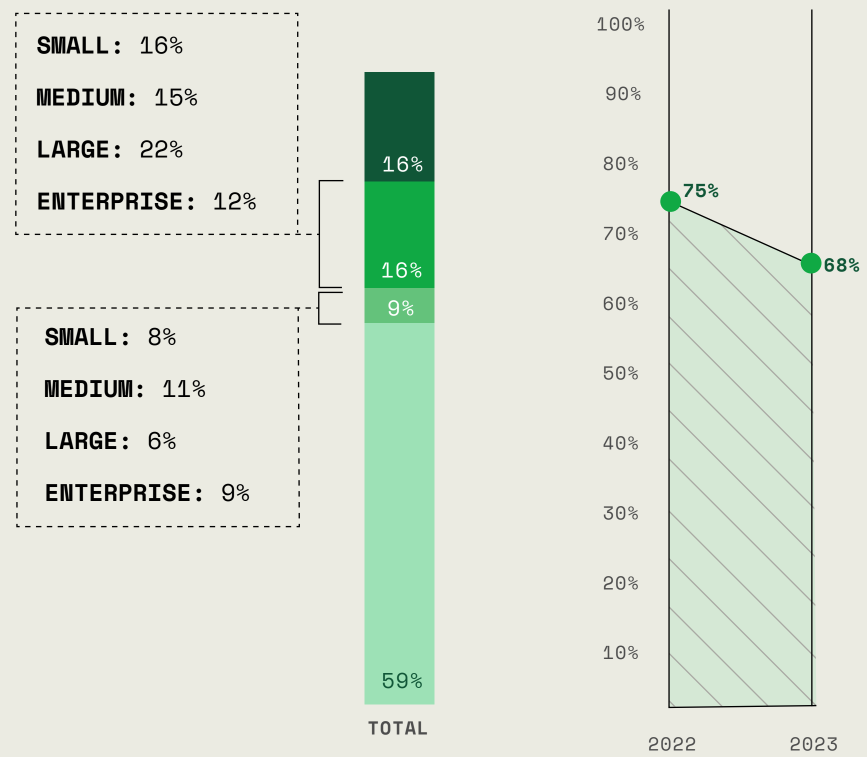
International Payments

Does your company make international payments?

GREAT BRITAIN — YES & CONTINUE · NO BUT START · YES BUT STOP · NO & NOT START



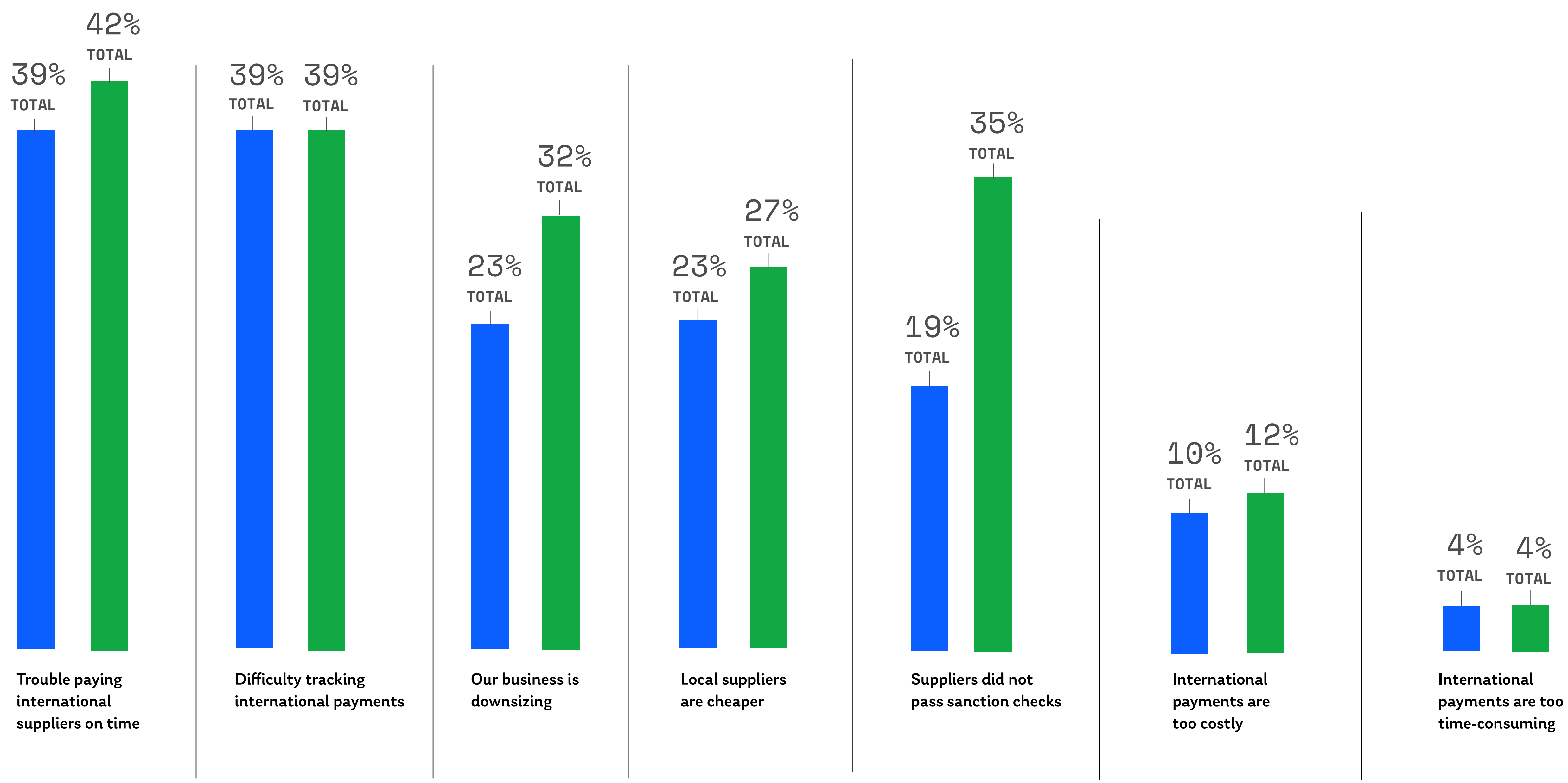
UNITED STATES — YES & CONTINUE · NO BUT START · YES BUT STOP · NO & NOT START



Stopping International Payments

What is the reason why your business is intending to stop making international payments?

GREAT BRITAIN UNITED STATES



STOPPING INTERNATIONAL PAYMENTS

The top three reasons for stopping international payments are trouble managing supplier payments on time (GB: 37%, US: 42%), continued difficulties tracking payments (GB: 37%, US: 39%), and an increase of suppliers failing to pass sanctions checks (GB: 19%, US: 35%). Even before the imposition of sanctions against Russia, US companies were almost twice as likely to face challenges paying suppliers who fail sanction checks.

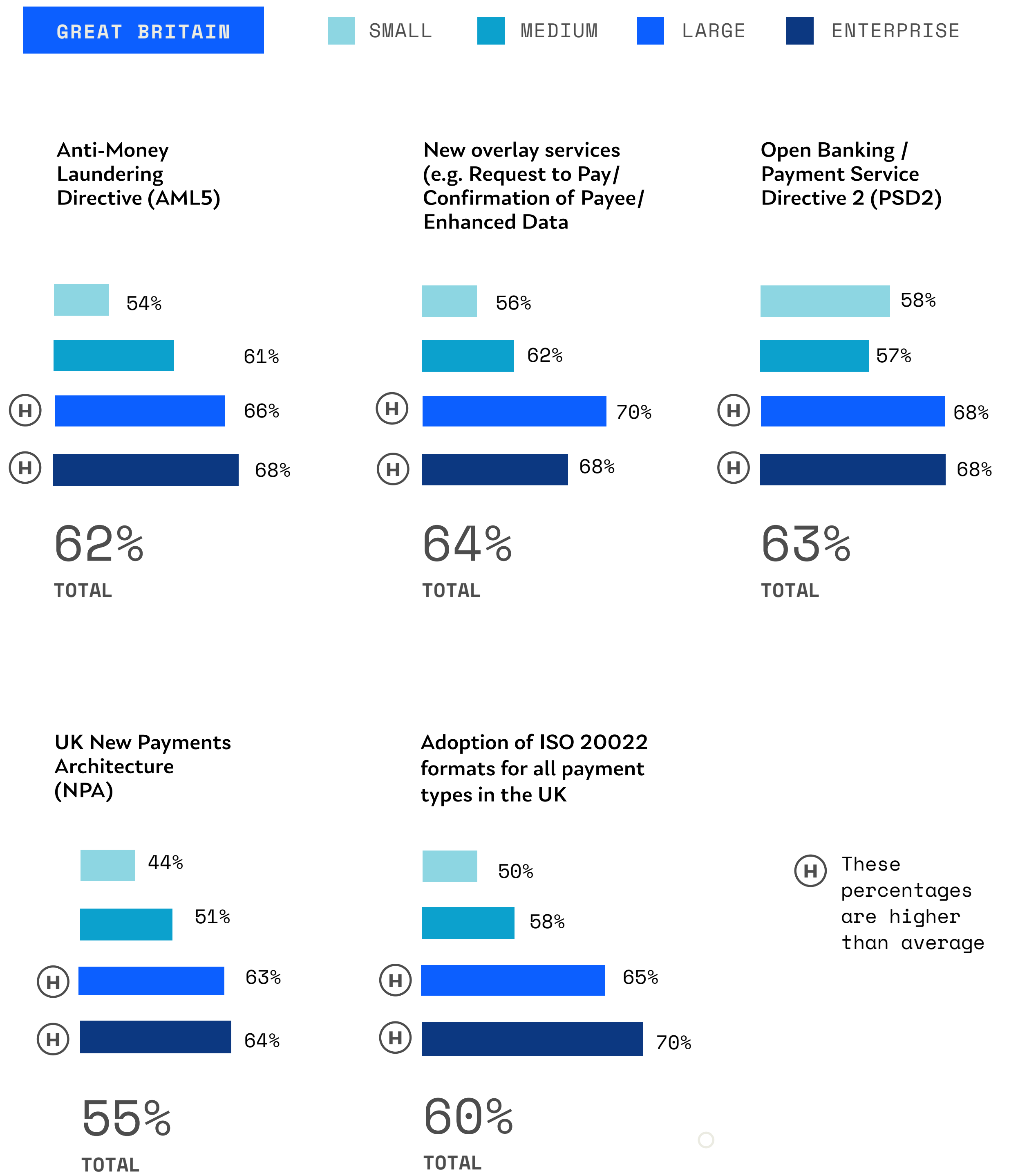
These obstacles are increasingly easy to overcome. Sanctions checking technology, initiatives such as the ISO 20022 messaging format and SWIFT gpi are making international payments quicker and more visible. Businesses need to be aware of the tools at their disposal and how best to use them to their advantage to facilitate a more digital world of international payments.

READY OR NOT? NEW PAYMENT INITIATIVES

Most businesses say they are ready for the new payment initiatives we asked about in this year's research. In GB, around three-fifths are prepared for new overlay services such as Confirmation of Payee (64%), Open Banking/PSD2 (63%), Anti-Money Laundering Directive (62%), and the adoption of ISO 20022 (60%). Preparedness for New Payments Architecture (NPA) is slightly lower at 55%. In all cases, large and enterprise companies are more likely to be prepared than small and medium-sized companies.

Preparedness by Size of Company

To what extent is your business, or the company you work for, prepared for each of the following upcoming payment initiatives? (% prepared)

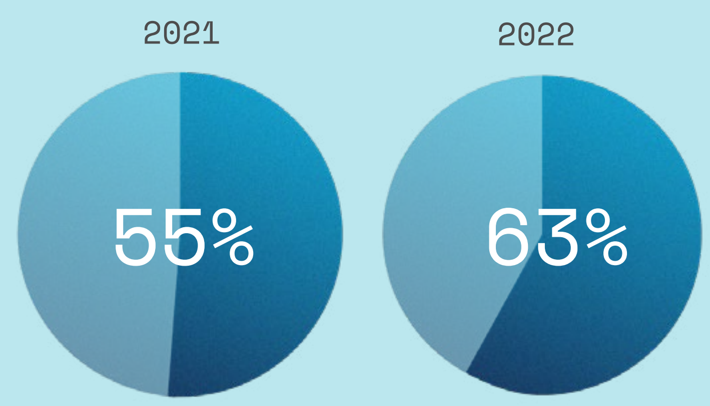


OPEN BANKING ADOPTION

The theory behind the concept of open banking is an exciting innovation within the payment space. It could open the data floodgates allowing businesses (notably smaller companies) to compete with the larger-scale players who have previously had the power to negotiate more complex data deals with banking partners. The concept of open banking services offers numerous benefits to businesses of all sizes. For instance, simplified cashflow monitoring and projecting, or bank account aggregation for a more detailed overview of business accounts in one place. It's also an alternative way to quickly make and receive payments by bypassing costs related to debit and credit cards, accessing tailored financial management services or speeding up credit applications, and a better way to manage subscriptions.

It is encouraging to see that open banking preparedness has increased in GB since 2021 from 55% to 63%. Our findings also clearly demonstrate that US businesses are on board, with 69% participating in our survey stating they are ready for the initiative. On the other hand, only 56% of small businesses state the same, even though they particularly stand to benefit from open banking.

Open banking now needs to be embraced as an exciting new capability to be marketed by the industry and adopted by businesses. Worldwide, banks have a key role to play in supporting small businesses to make the most of open banking and other modern payment initiatives so that they can remain both competitive and compliant.



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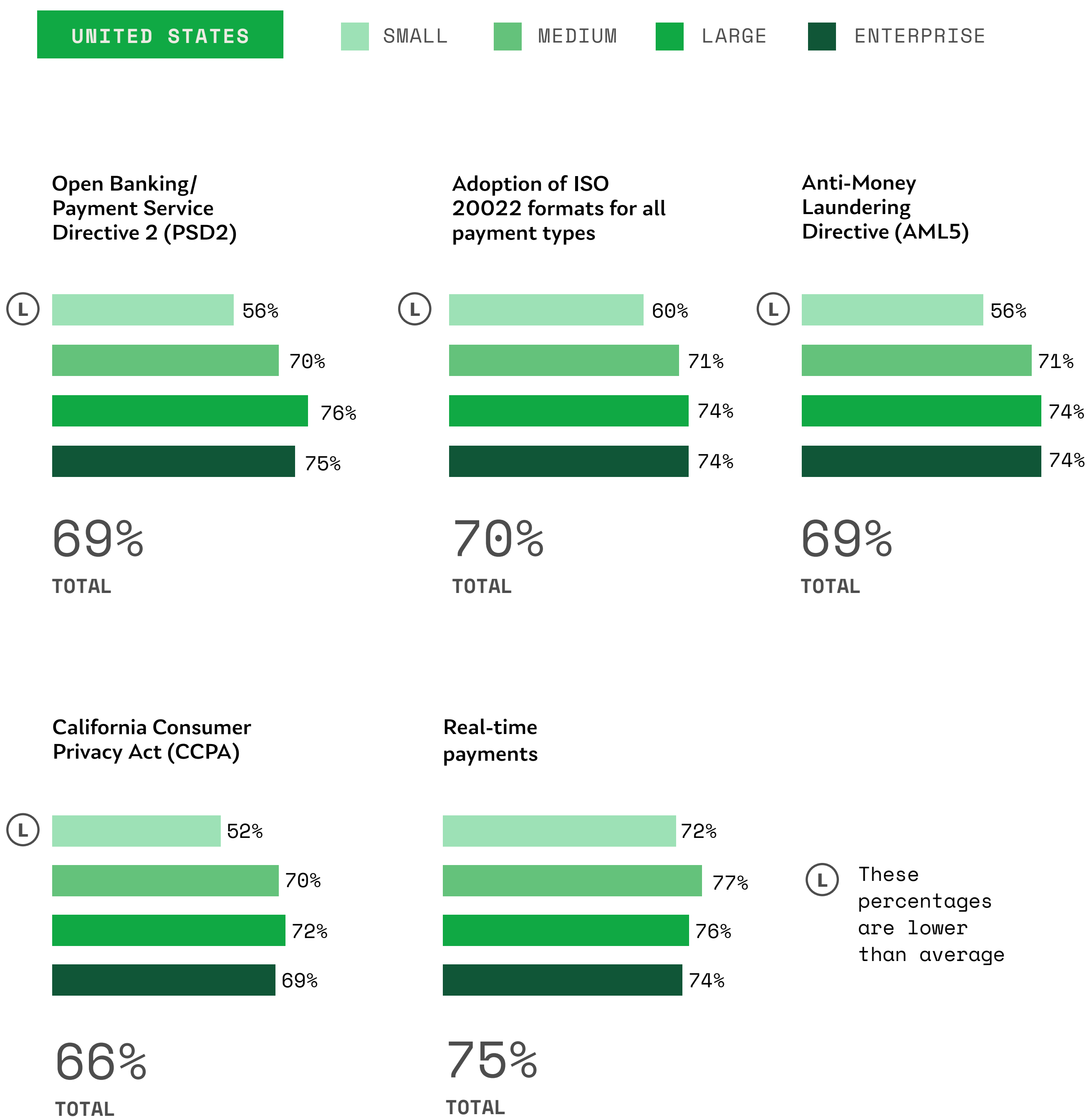


Among the US businesses we spoke to, levels of preparation are even higher with around 7 in 10 being prepared for Open Banking/PSD2 (69%), Anti-Money Laundering Directive (69%), and the adoption of ISO 20022 (70%). Reassuringly, two-thirds (66%) are prepared for the California Consumer Privacy Act. Conversely, in each case, small businesses are less likely to be prepared.

Large & enterprise companies are **more prepared** to embrace new payment initiatives.

LOOKING FORWARD

As markets start to look beyond the COVID-19 pandemic which has dominated for the past two years, the time has come to plan for the future.

We asked businesses to tell us what they think will influence business payment processes over the next three years. Fraud prevention is a key issue, with 1 in 5 GB businesses (22%) and 1 in 6 US businesses (16%) participating in the survey ranking this factor first. Beyond savvy fraudsters exploiting whatever means they can to identify weaknesses and intercept processes to benefit, this arguably also highlights the impact of COVID-19 on the issue of fraud. Advancing technology, which has transformed the payments landscape in the past few years, will continue to shake things up.

Acquiring new technology and the digitization of finance are seen to be important influences in both GB and the US mentioned by around 1 in 10, rising to 15% for the acquisition of technology in the US.

Fraud prevention is a key issue, with 1 in 5 GB businesses (22%) and 1 in 6 US businesses (16%) ranking this first.

Influence Over Next 3 Years

Please select the five that you think will have the greatest influence on business payment processes over the next three years, ranking these from one to five (% ranking first)

GREAT BRITAIN

	TOTAL	SMALL	MEDIUM	LARGE	ENTERPRISE
Fraud prevention measures	22%	22%	24%	20%	22%
Flexible approaches to work & employee satisfaction	14%	18%	12%	14%	14%
Changes to ease the payment of suppliers	13%	14%	12%	12%	14%
Acquisition of new technology into corporates	12%	12%	12%	10%	14%
Central Bank Digital Currencies	12%	12%	14%	10%	10%
Digitization of finance/ reduced friction	9%	6%	9%	11%	10%
Rise of Buy Now Pay Later (BNPL)	9%	10%	10%	8%	10%
Blockchain & Distributed Ledger Technology (DLT)	8%	6%	8%	13%	5%

UNITED STATES

	TOTAL	SMALL	MEDIUM	LARGE	ENTERPRISE
Fraud prevention measures	16%	19%	14%	18%	16%
Acquisition of new technology into corporates	15%	18%	14%	14%	11%
Central Bank Digital Currencies	14%	14%	13%	14%	16%
Digitization of finance/ reduced friction	12%	8%	15%	14%	13%
Changes to ease the payment of suppliers	12%	12%	10%	12%	12%
Flexible approaches to work & employee satisfaction	11%	8%	8%	14%	12%
Rise of Buy Now Pay Later (BNPL)	10%	10%	14%	8%	10%
Blockchain & Distributed Ledger Technology (DLT)	9%	10%	11%	6%	10%

CENTRAL BANK DIGITAL CURRENCIES AND CRYPTOCURRENCIES

When we look to the future, two topics that attract much debate – and diverse opinions – are Central Bank Digital Currencies (referred to as CBDCs) and cryptocurrencies.

Using CBDCs to make direct electronic payments has widespread appeal among the businesses we spoke to, particularly in the US with 76% describing this as appealing vs 62% in GB.

US businesses are also more likely to say they will adopt Smart Contracts (55% GB vs 71% US), cryptocurrencies (45% GB vs 65% US), Central Bank Digital Currencies (45% GB vs 65% US) and stablecoin (40% GB vs 63% US).

The level of interest in the US suggests that once businesses get the opportunity to press forward, adoption will come quickly, especially as central banks begin to work on their own digital currencies. We could see a major economy issue a CBDC this year or next. China, where more than 140 million people and businesses have participated in testing the e-yuan, is likely to be the first major economy to issue a CBDC. Sweden is also well advanced in assessing the opportunity to issue an e-krona. By comparison, the earliest date for the launch of a UK CBDC would be in the second half of the decade according to the Bank of England.[10]

Central banks issuing CBDCs will remove some of the risks associated with the pure cryptocurrencies currently on the market. There is hope that the use of CBDCs in international payments could be worth $120bn in cross-border payments, with CBDCs providing more speed, transparency, and security along the way.[11]

10 www.bankofengland.co.uk/news/2021/november/statement-on-central-bank-digital-currency-next-steps

11 https://www.oliverwyman.com/our-expertise/insights/2021/nov/unlocking-120-billion-value-in-cross-border-payments.html

Central Bank Digital Currency Appeal

Which of the following best describes how appealing, or not, a Central Bank Digital Currency would be to your business, or the company you work for? (% appealing)

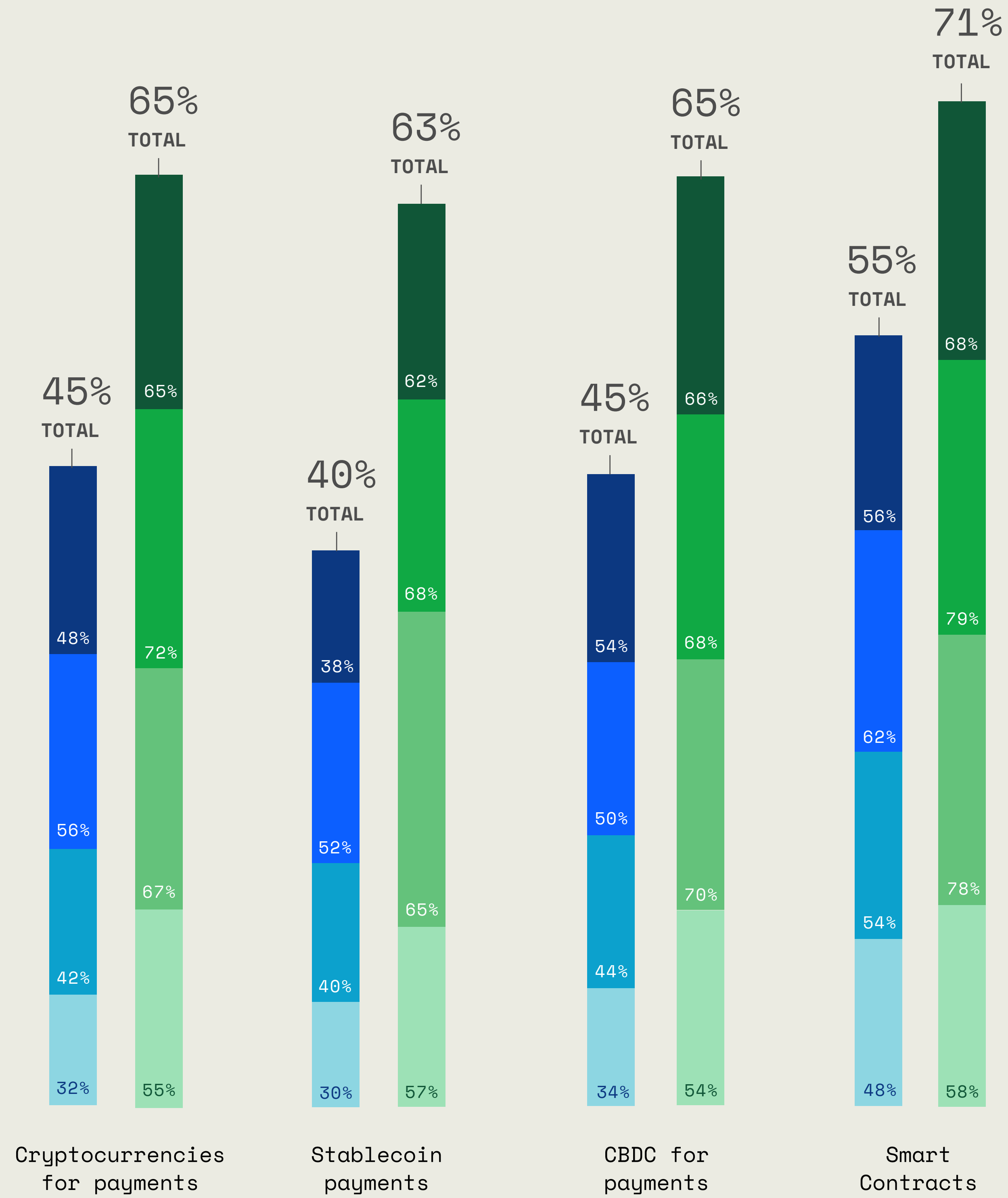
GREAT BRITAIN: SMALL, MEDIUM, LARGE, ENTERPRISE

UNITED STATES: SMALL, MEDIUM, LARGE, ENTERPRISE

62% TOTAL 2022	76% TOTAL 2022
64%	74%
73%	84%
59%	78%
52%	68%

Likelihood to Adopt

Please tell us how likely, or unlikely, your business is to adopt these services within the next 3 years (% likely)



As cryptocurrencies become more mainstream, we believe businesses will become more comfortable with taking payments from consumers wanting to pay in this currency. But many businesses will likely look to use payment service providers to convert inbound cryptocurrencies into fiat currencies. This will be driven by corporate treasurers and finance teams, who are conservative by nature, and don't want exposure to the exchange risk of rapid falling cryptocurrency values. Furthermore, these same businesses could still be hesitant about using cryptocurrencies to make their own outbound payments.

This apprehension is driven by a lack of regulation of cryptocurrencies, concerns about anti-money laundering (AML), and the volatility of these digital assets. Another issue is that the carbon footprint of cryptocurrencies, which require high levels of energy to power the computers which validate transactions and "mine" new bitcoin, may be at odds with Environmental, Social and Governance (ESG) goals.

So, for now, blockchain-based payments are something of a pipedream, but the pace of innovation in the payments space may change that. A good example of rapid change is the sharp rise in Buy Now Pay Later (BNPL). This new payment initiative presents a consumer-friendly development with 1 in 5 businesses in GB (18%) and US (20%) in our survey now accepting these methods, and 1 in 10 of businesses in each market (9% & 10% respectively) stating BNPL will have an influence within the payments space in the next 3 years.

Does this mean that BNPL is the payment innovation next set to alter the payments industry from under the nose of the more glamorous blockchain? In both markets, what will be interesting is the degree to which BNPL principals can and will apply in B2B payments. Is this about negotiating terms, or is there a way to make full payments with periodic flexibility built right into the payment type at the point of acceptance?

What we do know for sure is that the future will be creative and transformative. The convergence of the physical and digital is already reshaping our experiences, and how we engage and interact with the people, businesses, and services in our lives. These shifts in attitude, opportunity and end-user experience will also influence how companies process and protect their business payments in a digital world – and potentially with widespread benefits.

But there are hurdles ahead as well as opportunities. Companies will need to embrace the regulatory changes put in place to protect against international money laundering and sanctions screening. For as long as money continues to move, there will be fraud. As technology advances and becomes more sophisticated, so too will the scheming activities of criminals. So, businesses need to be ever vigilant – as well as quick to act – to safeguard themselves and their payments.

An ability and willingness to take on board change is essential in this ever-changing digital world. In the words of Didier Bonnet of Capgemini, ***"The only wrong move when it comes to digital transformation is not to make any move at all."***

OUR PAYMENTS PODCAST EXPLORES:

- What CBDCs are, and how they are likely to work
- How regulators are supervising blockchain and cryptoassets

http://soundcloud.com/thepaymentspodcast/tracks

GLOSSARY

Anti-money Laundering (AML) - policies and pieces of legislation that force financial institutions and specific types of companies to monitor their clients to prevent money laundering. AML laws require that financial institutions and such companies report any financial crime they detect to relevant regulators.

Blockchain - A digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain. Each block in the chain contains several transactions, and every time a new transaction occurs on the blockchain, a detailed record of that transaction is added to every participant's ledger.

Buy Now, Pay Later (BNPL) - Type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free.

Central Bank Digital Currency (CBDC) - Digital versions of government-backed, fiat money. This type of digital currency is issued by a central bank and tied to the country's national currency.

Confirmation of Payee (CoP) - A bank account name-checking service to give customers (both personal and business) greater assurance that they are sending payments to the intended recipient.

Cryptocurrency - An all-digital money system made up of "coins" or "tokens" that are controlled by a decentralized ledger.

Distributed Ledger Technology (DLT) - A data base or record of the ownership of digital assets which is distributed or dispersed across a network of participants or nodes. DLT is the underlying technology upon which the ownership of crypto assets such as bitcoin is recorded and transferred. Once a transaction is registered on the ledger, it is immutable, meaning it cannot be modified or changed.

ISO 20022 - An international standard for relaying electronic messages between financial institutions and large enterprises. Created to give the financial industry a common platform for sending payments messages and exchanging payments data.

Open Banking - The process of enabling third-party payment service and financial service providers to access consumer banking information, such as transactions and payment history and, for approved payment service providers, the ability to initiate payments. This practice is possible through the use of application programming interfaces (APIs).

Push Payment (or APP) fraud - A form of payment scam in which fraudsters deceive consumers, or individuals at a business, to send them a payment under false pretences to a bank account controlled by the fraudster.

Real-Time / Instant / Faster Payments - Electronic payments that are processed in real-time, where the funds are made available immediately for use by the recipient.

Smart Contracts - Automatable and enforceable agreements, allowing for trackable and credible transactions on the blockchain without the need for verification via third parties.

Stablecoin - A type of cryptocurrency in which the value is tied to an outside asset, such as the US dollar or gold, to stabilize the price.

TECHNICAL NOTE

This research has been conducted in partnership with Ipsos and commissioned by Bottomline.

The research consisted of an online survey among 1,600 financial decision-makers in Great Britain and the United States.

Financial decision-makers are defined as those who input solely, or as part of a group, into the purchase of accounting, tax or financial services.

The sample of 1,600 interviews was split into 800 financial decision-makers per market, 200 from each business size. The sample was sourced from Ipsos' approved panel partners.

Fieldwork was conducted between January and February 2022.

	GB Definition	US Definition
SMALL	10 to 249 employees or less than £2m turnover (n=200)	10 to 99 employees or less than $2.9m turnover (n=200)
MEDIUM	250-999 employees or £2m-£124.9m turnover (n=200)	101-999 employees or $3m-$169.9m turnover (n=200)
LARGE	1000-9999 employees or £125m-£449.9 turnover (n=200)	1000-9999 employees or $70m-$674.9 turnover (n=200)
ENTERPRISE	10,000+ employees or over £500m turnover (n=200)	10,000+ employees or over $675m turnover (n=200)

About Ipsos

Ipsos UK, part of the Ipsos Group, is one of the UK's largest and most innovative research agencies. We work for a wide range of global businesses and many government departments and public bodies. At Ipsos we are passionately curious about people, markets, brands and society. We deliver information and analysis that makes our complex world easier and faster to navigate and inspires our clients to make smarter decisions.

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About Bottomline

Bottomline makes complex business payments simple, smart and secure. Corporations and banks rely on Bottomline for domestic and international payments, efficient cash management, automated workflows for payment processing and bill review, and state of the art fraud detection, behavioral analytics and regulatory compliance solutions. Thousands of corporations around the world benefit from Bottomline solutions. Headquartered in Portsmouth, NH, Bottomline delights customers through offices across the U.S., Europe, and Asia-Pacific.

For more information, visit **www.bottomline.com**

Corporate Headquarters
325 Corporate Drive
Portsmouth, NH 03801
United States of America

Phone: +1-603-436-0700
Toll-free: +1-800-243-2528
Fax: +1-603-436-0300
info@bottomline.com

Europe, Middle East, Africa Headquarters
1600 Arlington Business Park
Theale, Reading, Berkshire RG7 4SA
United Kingdom

Tel (Local): 0870-081-8250
Tel (Int): +44-118-925-8250
Fax: +44-118-982-2253
emea-info@bottomline.com

Asia Pacific Headquarters
Level 3, 69-71 Edward Street
Pyrmont, Sydney NSW 2009
Australia

Tel: +61-2-8047-3700
Fax: +61-3-9824-6866
apac-info@bottomline.com